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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Market Structure Branch**

**RESOLUTION T-16946
June 16, 2005**

R E S O L U T I O N

Resolution T-16946. Rural Telecommunications Infrastructure Grant Program.

Resolution Authorizing the Disbursement of Funds for Grants from California High Cost Fund A for the Community of Lost Hills in Fresno County

SUMMARY

As part of the Rural Telecommunications Infrastructure Grant Program, this resolution grants a disbursement of \$828,000 in funds from the California High Cost Fund A to the community of Lost Hills to establish a network line extension to provide telecommunications infrastructure to the community.

BACKGROUND

Legislation and Rulemaking

California Assembly Bill (AB) 140 (Ch. 903, Stats. 2001) created the Rural Telecommunications Infrastructure Grant Program. The first of its kind in the nation, the program provides grants of up to \$2.5 million per project, with total grant funding of \$10 million per year, for construction of telecommunications infrastructure to low-income, rural communities currently without telephone service. The legislation required the California Public Utilities Commission (CPUC or Commission) to develop eligibility criteria for community-based groups to apply for grants and establish a government-industry working group to develop technical criteria for use in evaluating grant applications.

On February 27, 2003, the Commission issued an Order Instituting Rulemaking (Rulemaking 03-02-034) to develop application eligibility criteria. After consideration of comments, the Commission issued an interim decision adopting an application process

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and eligibility criteria for the grant program on September 18, 2003 (Decision 03-09-071). On March 17, 2005, the Commission subsequently issued Decision 05-03-005 which adopted the interim grant program administration rules from D.03-09-071 as final rules and closed the Rulemaking.

Previous Year's Grants Program (2003-04)

The PUC received three applications for grants during the first year funding cycle. On June, 8, 2004, the Commission approved Resolution T-16846, providing funding for all three projects. The Yurok Tribe in Humboldt County was awarded \$2,500,000.00 for a wireline telecommunications project. The community of Iowa Hill in Placer County was awarded \$1,834,900.00 for a combination wireless and wireline infrastructure project. Trinity County was awarded \$2,500,000.00 to build ten cell tower sites throughout the county.

Application Process

The application process is divided into two phases: Phase 1 is the qualifying phase, in which applicants must provide information required in the legislation (information about their community and its residents, financial information, letters of support from the local government and other affected governmental agencies, letters of support from 75% of the identified residential community, and identity of the fiscal agent). Upon the successful completion of Phase 1, applicants are required to submit more detailed Phase 2 information consisting of items such as feasibility and construction cost studies. For fiscal year 2004-05, Phase 1 Applications were due on February 15, 2005, and Phase 2 Applications were due by May 2, 2005.

Statewide Public Information Meetings

During the first year of the grants program (2003-04), the Telecommunications Division (TD) staff held public meetings throughout the state to inform community groups of the application process and to answer questions of potential applicants. Meetings were held throughout the state in locations such as Coachella, Independence, Lakeport, Eureka, and Susanville. TD staff also sent about 1,900 meeting notices with program information to local government entities and community-based groups.

For this year's funding cycle, , TD sent out some 3,000 notices in December 2004 to local government entities and community-based groups informing them of the program and soliciting grant applications. Dozens of phone calls were received from potential applicants.

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The Government Industry Working Group

The enabling legislation required the CPUC to establish a Government-Industry Working Group (GIG) to develop the technical criteria for use in evaluating grant applications. In Decision 03-09-071, the Commission approved working group representatives from SBC California, Verizon, CPUC staff, and the following individuals: Former Assembly Member Virginia Strom-Martin, Steve Bowen of the Bowen Law Group, and Regina Costa from TURN. The decision also approved membership of one representative each from the CLEC industry and wireless sector and directed Telecommunications Division staff to fill those vacancies with qualified representatives. Jeff Compton of Telscape Communications and Chris Johnson of T-Mobile were subsequently chosen to fill those respective slots.

The GIG held its first meeting on February 23, 2004 to discuss technical criteria for evaluating grant applications. Several additional meetings were held via teleconferencing in April and May 2004 to finalize the technical criteria for evaluating grant applications. Criteria include determining consistency with the enabling legislation, technical feasibility, a determination that the chosen technology is a cost effective telecommunications application, that the program exhibits a sound work plan, and the project will provide real public benefit to the served community. When the GIG met in May 2005 to consider the current proposals, these technical criteria were applied.

DISCUSSION OF APPLICATION

Community of Lost Hills in Fresno County

After the February 15, 2005 deadline, the CPUC received a Phase 1 application from Kirby Smith of Telecom Consulting Services on behalf of the community of Lost Hills located in Fresno County. TD staff reviewed the application and found it was not compliant with all necessary requirements of the Phase 1 process, especially the requirement that the application identify an entity to act as a fiscal agent for the project. TD has worked with the applicant to designate the Great Valley Center as fiscal agent for the project. A Resolution naming the Great Valley Center as fiscal agent for the Lost Hills project is on the Commission's agenda for its May 26, 2005 meeting. Lost Hills proceeded to submit a Phase 2 Application, the feasibility study detailing the engineering and construction costs aspects of their projects. They submitted a Phase 2 Application by the May 2, 2005 deadline.

The community of Lost Hills is a very small, low-income community located in southern Fresno County, California. Although Lost Hills is located near State Highway #33, the remote community remains isolated from the rest of the state. Median

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household income for Lost Hills is \$23,158. There are no telecommunications services to the community. The area is located three miles north of Avenal in Kings County, and 15 miles southeast of Coalinga in Fresno County. Lost Hills lacks any officially known population base. The estimated population is 92. It consists of approximately 22 households with seventeen actual mail box delivery addresses. There are no known businesses, schools, fire stations or government buildings in the Lost Hills area. SBC is the designated local exchange carrier and the community of Lost Hills lies within SBC's filed territory. The closest point of connection to existing telecommunications infrastructure appears to be in Avenal in Kings, County, about three miles from Lost Hills.

Telecom Consulting Services has proposed network facilities for the project consisting of a wireless transport system from the town of Coalinga to Lost Hills Road. Two towers at either end will accommodate the microwave system. In the Lost Hills Road locale, telecommunications facilities will include electronic equipment and copper cable distribution facilities. The system will be designed for voice and data capability.

During the May 13, 2005 meeting of the GIG, SBC indicated it had recently performed engineering cost studies to connect the Lost Hills community to its closest point of connection in Avenal, approximately three miles away. SBC cost estimates for copper cable distribution were less than half the cost of the proposal submitted by Telecom Consulting Services.

Funding Recommendations

On May 13, 2005, the GIG conducted a thorough, unbiased review of the Lost Hills community's Application. The GIG evaluated the application, measuring it against developed technical criteria but questioned the cost effectiveness of the chosen technology. The GIG recommends funding of infrastructure deployment to Lost Hills but requests that Telecom Consulting Services consult with SBC to determine the most cost effective point of connection to the SBC network. The GIG recommends the project be funded, but subject to the applicant providing clarification of certain technical issues. TD has reviewed this recommendation and has prepared this resolution.

NOTICE/PROTESTS

The Telecommunications Division concludes that the applications filed by the Lost Hills community meets the requirements set forth in California Assembly Bill 140 (Ch. 903, Stats. 2001) and Commission Decisions 03-09-071 and 05-03-005 and recommends that the Commission approve the grant application subject to revision. Commission approval is based on the specifics found in the Phase 2 Application subject to future changes made in conjunction with consulting with SBC, and does not establish

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a precedent for the contents of future filings or for Commission approval of similar requests.

FINDINGS

1. Lost Hills did not timely submit a Rural Telecommunications Grant Application for wireless telecommunication network infrastructure in the amount of \$828,000.
2. The Government-Industry Working Group has conducted a thorough, unbiased review of the application, measuring it against established technical criteria, and recommends funding of a telecommunications infrastructure project to Lost Hills subject to the applicant providing clarification of certain technical issues and making changes based on consulting with SBC regarding the closest point of connection to the network.
3. The source of the funds for these grants is the California High Cost Fund A.
4. The Telecommunications Division concludes that the application meets the requirements established by California Assembly Bill 140 and Commission Decisions 03-09-071 and 05-03-005.

THEREFORE, IT IS ORDERED that:

For the Rural Telecommunications Infrastructure Grant Program, funds shall be granted from the California High Cost Fund A to Lost Hill's fiscal agent to develop

1. Telephone services to the unserved community of Lost Hills in the amount of \$828,000 or less.
2. The Commission's Information and Management Services Division is authorized to enter into an agreement with Lost Hill's fiscal agent in the amount of \$828,000 or less.

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This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on June 16, 2005 adopted this Resolution. The following Commissioners approved it:

STEVE LARSON
Executive Director